UNITED NATIONS

General Assembly

FIFTY-FIRST SESSION

Official Records

FIFTH COMMITTEE
4th meeting
held on
Tuesday, 8 October 1996
at 10 a.m.
New York

SUMMARY RECORD OF THE 4th MEETING

Chairman: Mr. SENGWE (Zimbabwe)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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Distr. GENERAL
A/C.5/51/SR.4
11 November 1996

ORIGINAL: ENGLISH

96-81312 (E)

The meeting was called to order at 10.05 a.m.

AGENDA ITEM 133: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN GEORGIA (A/50/731/Add.2; A/51/448)

AGENDA ITEM 134: FINANCING OF THE UNITED NATIONS MISSION IN HAITI (A/50/363/Add.3 and 4; A/51/444)

AGENDA ITEM 157: FINANCING OF THE UNITED NATIONS SUPPORT MISSION IN HAITI (A/51/191/Add.1 and A/51/444)

1. The CHAIRMAN invited the Controller to introduce the reports of the Secretary-General on agenda items 133, 134 and 157 (A/50/731/Add.2, A/50/363/Add.3 and 4, and A/51/191/Add.1, respectively).

2. Mr. TAKASU (Controller), introducing the report of the Secretary-General on the United Nations Observer Mission in Georgia (UNOMIG) (A/50/731/Add.2), the current mandate of which was due to expire on 31 January 1997, said that the report was a performance report covering the period from 16 May 1995 to 12 January 1996. For that period the General Assembly had appropriated a total amount of $11,948,718 gross and the actual expenditure had been $9,978,000 gross: the unencumbered balance of $1,970,718 gross had resulted from a number of factors, in particular the release of fixed-wing aircraft earlier than had been anticipated, and savings on civilian personnel costs owing mainly to the fact that the vacancy rate had been higher than expected. As stated in paragraph 10 of the report, a decision on the treatment of the unencumbered balance was to be taken by the General Assembly. The normal practice was for such balances to be used as a credit against future assessments on Member States.

3. Turning to the financing of the United Nations Mission in Haiti (UNMIH), which had originally been established by the Security Council in 1995, he said that the report of the Secretary-General (A/50/363/Add.3) was a performance report for the period from 1 August 1995 to 29 February 1996. For that period, expenditure had amounted to $134,621,400 gross as against an appropriation of $152,011,500 gross, resulting in an unencumbered balance of $17,390,100 gross. As noted in the report, savings had been realized under such items as military and civilian personnel costs, premises and accommodation, infrastructure, transport operations, air operations, communications and other equipment, following the downsizing of UNMIH beginning in late November 1995 as a consequence of the substantial progress made by the Mission towards achieving its goals and its objective of reducing operating costs. At the same time, certain items of expenditure had been higher than originally expected. In particular, additional costs had been incurred under miscellaneous services relating to logistics support provided under letter of assist arrangements for two months pending full mobilization of the commercial contractors in the mission area. As stated in paragraph 9 of the report, the General Assembly was to take a decision as to the treatment of the overall gross unencumbered balance of $17,390,100.

4. A further report on UNMIH (A/50/363/Add.4) concerned the revised cost estimates for the liquidation of the Mission, which was terminated as of 30 June 1996. For that purpose, the General Assembly had provided an appropriation of $15,897,900 gross, to be assessed on Member States. The liquidation costs had, however, been substantially reduced because the UNMIH civilian personnel and some members of the military contingent had remained in the area to form the basis of the United Nations Support Mission in Haiti (UNSMIH), which had been established by the Security Council with effect from 1 July 1996. The estimated liquidation costs of UNMIH had consequently been reduced from $15,897,900 gross to $1,469,900 gross. It was anticipated that the General Assembly would take action to reduce the level of the appropriation accordingly and to assess the reduced amount on Member States, stated in paragraph 9 of the report.

5. The report of the Secretary-General on the financing of UNSMIH (A/51/191/Add.1) contained the proposed budget for the establishment and operation of the Mission for the period from 1 July 1996 to 30 June 1997. The costs were estimated at $57,187,400 gross, providing for 600 contingent personnel, 300 civilian police, 128 international staff, 156 local staff and 14 United Nations Volunteers. The suggested action to be taken by the General Assembly was set out in paragraph 13 of the report, namely the establishment of a special account for UNSMIH, the appropriation of an amount of $57,187,400 gross for the period from 1 July 1996 to 30 June 1997, and the assessment of an amount of $33,957,000 gross for the period of the political mandate, namely 1 July to 30 November 1996.

6. The CHAIRMAN, in the absence of comments from the floor, invited the Controller to outline the recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) concerning the reports which he had introduced.

7. Mr. TAKASU (Controller) said that the Advisory Committee's recommendation on UNOMIG (A/51/448, para. 12) was that the unencumbered balance of $1,970,718 gross should be credited to Member States against their assessment for the financing of the Mission, in accordance with the established procedure.

8. The recommendations of the Advisory Committee concerning the cost estimates for the liquidation of UNMIH (A/51/444, para. 18) were in line with the recommendations of the Secretary-General, namely that the original appropriation should be reduced from $15,897,700 gross to $1,197,100 gross, the reduced amount to be set off against the unencumbered balance of $17,390,100 gross for the previous period.

9. With respect to the establishment and operation of UNSMIH, the Advisory Committee recommended (A/51/444, para. 35) that action should be taken by the General Assembly as proposed by the Secretary-General in paragraph 13 of his report (A/51/191/Add.1).

The meeting rose at 10.30 a.m.

UNITED NATIONS

General Assembly

FIFTY-FIRST SESSION

Official Records

FIFTH COMMITTEE
5th meeting
held on
Wednesday, 9 October 1996
at 10 a.m.
New York

SUMMARY RECORD OF THE 5th MEETING

Chairman: Mr. STEIN (Germany)
(Vice-Chairman)

later: Mr. SENGWE (Zimbabwe)
(Chairman)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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Distr. GENERAL
A/C.5/51/SR.5
15 November 1996

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96-81336 (E)

In the absence of Mr. Senqwe (Zimbabwe), Mr. Stein (Germany), Vice-Chairman, took the Chair.

The meeting was called to order at 10.05 a.m.

AGENDA ITEM 119: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/50/11/Add.2)

1. Mr. KONISHI (Japan) said that the Organization's critical financial difficulties required administrative and financial, economic and social, and Security Council reforms to be carried out in a balanced manner. To address administrative and financial problems alone would not accord with the original aim of reform, which was to strengthen the Organization as a whole. A conceptual distinction must also be made between the issue of cash flow and the systemic issue of financial reform. The only way to resolve the immediate cash flow crisis was for Member States to pay their assessed contributions.

2. Financial reform must be comprehensive and include not only a review of the scale methodology but also specific measures to ensure payment of assessed contributions. Review of the methodology should address all relevant factors in both the regular and peacekeeping scales; in that connection it would be useful to introduce, in addition to the existing principle of capacity to pay, the concept of "responsibility to pay" to take account of the special status of permanent members of the Security Council.

3. His delegation noted with interest the report of the Committee on Contributions (A/50/11/Add.2), which dealt with the review of the scale methodology for the regular budget and the application of Article 19 of the Charter. Account should also be taken of the deliberations of the High-level Open-ended Working Group on the Financial Situation of the Organization, which would resume its work in January 1997. Accordingly, while the General Assembly should discuss the matter carefully at the current session, there should be no rush to reach a conclusion without first making an effort to find truly effective ways of achieving comprehensive financial reform. In addition, the issue of the scale of assessments could not be dealt with solely from a technical standpoint; by its very nature it had a political dimension.

4. His Government remained committed to shouldering its significant financial responsibility towards the Organization.

5. Mr. KATSIGAZI (Uganda) said that his delegation shared the views expressed at an earlier meeting on behalf of the Group of 77 and China.

6. Uganda supported the principle of capacity to pay as the fundamental criterion for the apportionment of the expenses of the United Nations. That principle, which had been consistently reaffirmed by the General Assembly, must be implemented as soon as possible in order to redress the unfair burden borne by the developing countries as a result of imperfections in the current scale. He appreciated the work done by the Committee on Contributions to improve the

methodology, despite the often contradictory instructions given to it by Member States.

7. Unless Member States reconciled their conflicting positions on capacity to pay, consensus would remain unattainable, and debate on the scale methodology and the scale itself would remain a reiteration of well-known positions with little substantive guidance to the Committee on Contributions.

8. The challenge for Member States was to muster the necessary political will to overcome entrenched positions so that recommendations could be developed that would lead to a scale which genuinely reflected capacity to pay. That would shorten discussion, obviate the need for parallel negotiating groups and put to rest the argument advanced by some that the scale of assessments was a factor in the inability of Member States to meet their financial obligations.

9. His Government had met all its financial obligations to the United Nations in full and without conditions. In fact, it had made advance payments of over 50 per cent towards its 1997 assessment.

10. Other Member States should refrain from seeking to establish a linkage between the scale methodology and non-payment of contributions. The latter issue should be addressed separately in the context of the item on the financial situation of the United Nations.

11. His delegation fully shared the serious concern expressed by other developing countries over the unjustifiable assessment surcharge imposed on many of them by the arbitrarily set floor rate of 0.01 per cent, which effectively provided assessment relief to wealthier, developed countries. That anomaly should be addressed as a priority. His delegation therefore welcomed the recommendation by the Committee on Contributions that Member States whose share of adjusted national income was less than the current floor should be assessed at their actual share of adjusted income.

12. His delegation would also support a base period that took into account the need for stability in the scale; in that connection, he noted with interest the suggestion by the Committee on Contributions regarding a gradual reduction in the length of the base period.

13. Overall, his delegation saw merit in the use of market exchange rates for conversion purposes, except where there were multiple exchange rates, high inflation or misalignments caused by market fluctuations. In such situations price-adjusted rates of exchange or other conversion rates, as approved by the General Assembly, should be applied. His delegation also shared the reservations on the use of purchasing power parities.

14. His delegation was convinced of the continued relevance of debt-burden adjustment to the scale methodology and saw merit in measuring debt-adjusted income on the basis of World Bank figures. It also supported maintenance of the low per capita income adjustment and wished to stress that any change in that factor should not result in the transfer of assessment points from already subsidized, high-income, developed countries to low-income developing countries.

15. The arbitrarily fixed ceiling, like the floor, distorted the principle of capacity to pay in respect of the largest contributor and imposed an undue burden on low-income countries, which had to absorb additional assessment points as a result. While some had argued that the Organization should not rely too heavily on one contributor and had suggested that the ceiling should be lowered from its current level of 25 per cent, the overriding consideration in establishing the scale, including the rate for the largest contributor, should be capacity to pay. The largest contributor should appreciate the subsidy it currently enjoyed as a result of the setting of the ceiling at 25 per cent, and should respond to that generous political gesture by meeting its financial obligations promptly, in full and without conditions.

16. At the current session, the General Assembly must reach agreement on improvements to the scale methodology, and must adopt specific guidelines to assist the Committee on Contributions in its preparation of the scale for the period 1998-2000.

AGENDA ITEM 115: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

17. Mr. CONNOR (Under-Secretary-General for Administration and Management) said that, at the end of September 1996, unpaid assessments due from all Member States had totalled $2.7 billion. While that reflected a welcome reduction of some $165 million since the end of August, it remained far too high for the financial health and viability of the Organization. At the end of September the negative position of the combined General Fund (including the regular budget and reserves) had increased to $119 million. The cash deficit had accumulated despite a heartening effort by many Member States to meet their obligations to the Organization. As of 30 September, 91 Member States had paid their regular budget assessments in full, compared with 82 by the same date in 1995 and 66 in 1994.

18. Outstanding regular budget assessments as of 30 September 1996 had totalled $714 million, of which $398 million had related to assessments for 1996 and $316 million to prior years. Of the total amount due, 74 per cent had been owed by the United States. Outstanding assessments owed by the United States had built up over a number of years. Following approval in April 1996 of its 1995 fiscal year national budget, the United States had advised the Secretariat that it could expect to receive by 30 September 1996 the amount - $304 million - appropriated for the regular budget. In fact, all funds appropriated by the United States in its 1995 national legislation, enacted in April 1996, had now been received, including amounts subject to certification.

19. On 30 September 1996, legislation had been enacted by the United States whereby $313 million had been appropriated to pay regular United Nations budget assessments for 1996; $213 million of that amount was expected by the end of December. Payment of the remaining $100 million appropriated was not expected until late January 1997 and was subject to certification that the United Nations had taken no action during calendar year 1996 to exceed its no-growth budget of $2,608 million for the biennium 1996-1997.

20. In terms of regular budget cash flow, that meant that the amount of $213 million to be received by 31 December 1996 was $100 million more than had

previously been forecast, and that the year-end projection of negative cash, which had been minus $243 million, had now been revised to minus $103 million. The revision comprised two factors: payment of the last $40 million subject to certification relative to the April legislation and payment of $100 million more than had previously been estimated relative to the September legislation. That was a distinct improvement. The figure also compared favourably with the corresponding negative figure of $198 million at the end of 1995, but much less favourably with the negative figure of $26 million at the end of 1994 and the negative figure of $1 million at the end of 1993. There were therefore no grounds for complacency.

21. With regard to peacekeeping cash flow, as of 30 September 1996, unpaid assessed contributions from all Member States had totalled just under $2 billion. Peacekeeping cash was now projected at $795 million as of 31 December 1996, a reduction of $71 million from the previous estimate. The earlier forecast of $866 million had estimated cash receipts of $266 million from the United States in the period from 1 September to 31 December 1996. Of that amount, $150 million had recently been received, and a further $45 million was expected shortly. However, no further payments were now expected before new peacekeeping assessments were issued, probably early in 1997. As a result, $71 million which had been expected between 1 October and 31 December 1996 would probably now be received early in 1997.

22. The United States legislation signed on 30 September 1996 had included significant amounts for peacekeeping activities: $282 million had been appropriated for current assessments, $50 million for arrears, and $20 million for contingencies relating to crises in Africa, in particular Burundi.

23. The Committee would recall that United States legislation limited peacekeeping assessments to a 25 per cent rate, in other words 6 per cent less than the current 31 per cent assessment rate set by the General Assembly. Accordingly, an arrears payment of the size indicated would not reduce the amount of United States arrears as determined by General Assembly resolutions.

24. The Secretariat had also been informed that payments of arrears were subject to two of the following three conditions being met: further cost savings aggregating at least $100 million in the United Nations Conference on Trade and Development, the regional economic commissions, the Department of Public Information and conference services; a reduction in personnel by the end of 1997 equal to at least 10 per cent of the number of posts on 1 January 1996; and the adoption of a budget outline for the biennium 1998-1999 below $2,608 million, as part of a five-year programme to achieve major cost-saving reforms.

25. Other than the new United States legislation regarding peacekeeping assessments, no significant changes had been made in other forecast assumptions. It was still intended that payments totalling $350 million should be made to troop providers in 1996, and an amount of $279 million had already been paid. It was also still the intention that a special year-end payment of $275 million should be made to troop providers contingent on receipt by the end of the year of the full amount of $400 million expected in 1996 from the Russian Federation, which had to date paid $210 million. Payments to equipment providers might also

be possible. Such payments would reduce to an estimated $700 million the amount owed to Member States at the end of 1996 for troop and equipment costs.

26. It was now projected that the combined General Fund would show a cash deficit of $103 million at the end of 1996, and that the combined peacekeeping accounts would show a positive balance of $795 million. The combined cash position of the Organization would thus be $692 million. Compared to the previous forecast, the overall improvement of $69 million reflected an acceleration of cash inflows of $140 million for the regular budget and a slowdown of peacekeeping cash inflows of $71 million.

27. Despite the relatively healthier outlook for the regular budget, the Organization was still obliged to resort to borrowing from peacekeeping accounts to maintain basic operations. That inherently poor financial practice would probably have to continue in 1997, and, in addition, the level of peacekeeping balances was likely to decline in the immediate future. There was also a danger that the ongoing financial crisis would continue to divert attention from, and have a negative impact on, internal reform.

28. The overall financial situation remained precarious. It was now estimated that, as of 31 December 1996, the total amount of past due assessments owed by Member States would be $2.1 billion, of which 65 per cent would be owed by the United States. The Secretary-General appealed to all Member States to emulate the growing number which had made efforts to meet fully their obligations to the Organization.

29. Ms. PEÑA (Mexico) said that, while her delegation welcomed the dialogue with the Secretariat regarding the cash position, it felt a certain discomfort about the detailed account of the legislative intent of one Member State vis-à-vis the Organization. It was for that Member State to state its views and to specify how it intended to make payments.

30. Mr. HANSON (Canada) said that his delegation shared the discomfort expressed by the representative of Mexico. While it welcomed news of payments received or about to be received, his delegation was concerned over the fact that the payments in question did not represent full payment: all Member States must pay all assessed contributions in full, on time and without conditions.

31. Mrs. RODRIGUEZ ABASCAL (Cuba) said that her delegation fully supported the view that contributions must be paid without conditions. In providing information on the financial situation, the Secretariat must not act as a spokesperson with respect to the legislation of a certain Member State. The Secretariat should concentrate on matters which concerned it and leave it to delegations to provide information on their domestic legislation.

32. Mr. GOKHALE (India) asked what the level of unpaid peacekeeping dues owed by the United States would be after payment of the $195 million received or expected in October. He also wished to know whether only the United States arrears of $50 million approved under the legislation of 30 September 1996 were subject to certification or whether the amounts of $282 million in respect of current assessments and $20 million in respect of contingencies would also require certification.

33. Mr. ODAGA-JALOMAYO (Uganda) said it was unacceptable practice for a Member State to impose new conditions for payment of its dues once the Organization's budget had been adopted by consensus in the General Assembly. His delegation agreed that future updates on the item under consideration should concentrate on the financial situation rather than the unilateral demands of a particular Member State.

34. Mr. THORNE (United Kingdom) said that his delegation was also concerned about the conditions attached by the United States. In the meantime, it was still awaiting updated figures on amounts owed by the Organization to troop and equipment contributors.

35. Mr. ALOM (Bangladesh) asked the Under-Secretary-General for Administration and Management to clarify his statement that the continuing financial crisis had diverted attention from the internal reform of the United Nations.

36. Mr. IRAGORRI (Colombia) said that his delegation felt that the conditions attached by the United States should be included in future updates on the financial situation. His Government respected the political position of the United States and believed that, if other Member States wished to do more than simply feel uncomfortable about the situation, they should ask themselves whether they had the political will to agree to those conditions or to conditions attached by any other State. Otherwise the same cycle of sterile debate about non-payment of dues would simply continue without any practical benefit for the Organization.

37. Mr. Sengwe (Zimbabwe) took the Chair.

38. Mr. ZHANG Wanhai (China), supported by Ms. INCERA (Costa Rica), speaking on behalf of the Group of 77, said that the practice of attaching conditions to the payment of dues was completely unacceptable. The United Nations Charter clearly stipulated that dues should be paid promptly and without conditions.

39. Mr. RAMLAL (Trinidad and Tobago) said that he shared the concern expressed by other delegations about the practice of making payments conditional. His Government wished to inform the Committee that it had recently adopted a three-year payment schedule designed to clear all of his country's arrears to the United Nations. In addition, his Government intended to meet in full its annually assessed financial obligations, thus demonstrating its wholehearted commitment to the Organization.

40. Mr. ZULKIFLI (Malaysia) said that his delegation was also concerned about the unilateral imposition of conditions and certification by the United States and about that State's unilateral decision to reduce its peacekeeping assessment. His delegation would be grateful for more information on the amount owed by the United States for peacekeeping operations.

41. Mr. KELLY (Ireland), speaking on behalf of the European Union, reiterated the European Union's expectation that all payments to the United Nations should be made in full, on time and without conditions. The European Union was also awaiting updated information on the amounts owed by the Organization to each troop-contributing State.

42. Mr. HANSON (Canada) said that his delegation felt unable to accept the suggestion by the representative of Colombia that unilaterally imposed conditions could be discussed with a view to their subsequent acceptance or non-acceptance. Member States had no choice but to operate within the framework of the Charter, which stipulated that unilaterally imposed conditions were unacceptable. While his delegation welcomed the full and regular briefings on the financial situation provided by the Under-Secretary-General for Administration and Management, he was concerned that the inclusion in such reports of conditions attached by Member States would endow those conditions with a spurious legitimacy.

43. Mrs. EMERSON (Portugal) said that the alarming gap between negative cash flow and paid assessments in both the regular budget and peacekeeping operations compelled her delegation to inquire how the Organization intended to survive. She wondered whether the United Nations intended to continue functioning by simply failing to reimburse troop contributors and vendors.

44. Mr. ATIYANTO (Indonesia) said that any mention of the conditions imposed by the United States in the most recent update on the Organization's financial situation was out of place since the Charter specifically ruled out the imposition of unilateral conditions. His delegation also wished to know more about the amount owed by the United States to peacekeeping operations and how the Organization intended to ensure its own survival in view of the enormous gulf between unpaid assessments and cash reserves.

45. Mr. GELBER (United States of America) said he was upset to learn that so many delegations were concerned about the level of United States arrears. He was unable to prescribe any remedies for their concern, but wished to emphasize that over $400 million of the payments recently made by the United States were subject to no conditions whatsoever.

46. It was true that the United States had not paid its arrears in full, but then neither had over half the Member States of the Organization. The conditions attached by his Government to payments to the United Nations were a purely internal matter for the United States and need not affect other States unless they wished to be affected. All his delegation could do in the circumstances was to relay their views to his authorities. He requested the Committee to deal realistically with the constraints which had been imposed on his delegation; since his powers and authority were strictly limited, recriminations would simply be a waste of time. He urged the Committee to move beyond tired old mantras and assist his delegation in finding lasting solutions to the Organization's financial problems.

47. His delegation also requested updated information on the amounts owed by the Organization to troop contributors.

48. Mr. GREIVER (Uruguay) said that his delegation was concerned about the persistent delay in reimbursing Member States for contributions of peacekeeping troops and equipment. The regular budget deficit was being contained by borrowing from peacekeeping operations to the detriment of a number of contributor States with developing economies. His delegation was specifically

interested in knowing when the schedule of amounts owed to Member States for peacekeeping operations would be issued.

49. Mrs. GOICOCHEA ESTENOZ (Cuba) said that the real point at issue was an ethical one. When a State signed the Charter of the United Nations, it assumed certain obligations, including respect for the wider international community. To involve a national assembly in the running of the United Nations was unacceptable because the Organization was a congress of nations and not an interparliamentary union. In that connection, her delegation wished to clarify its earlier proposal that the updated information provided by the Under-Secretary-General for Administration and Management should be incorporated into an official document. The elements relating to the proposals of the United States Congress should not appear in a Secretariat document; instead they could appear in a less official format or in a document requested for circulation as an official document of the General Assembly.

50. Her delegation noted that all Member States were obliged to pay their dues in full. At the same time she acknowledged that, owing to the economic hardships currently affecting Cuba, her Government had not been able to meet that requirement, despite its strong political will to support the Organization.

51. Furthermore, she reminded the Committee that General Assembly resolution 41/213, which was designed to alleviate the financial troubles of the United Nations, had been adopted in response to action by the United States Congress. Certain recent decisions, however, had undermined that resolution. The Charter stipulated the equality of all Member States, and it was therefore essential to analyse the interests of all in order to identify common positions.

52. Mr. CONNOR (Under-Secretary-General for Administration and Management) said that the amount still owed by the United States for peacekeeping operations was $906 million. Payment of United States arrears was conditional on three factors, whereas payment of regular budget contributions was merely conditional on zero budgetary growth. The schedule of amounts owed to Member States by the Organization for peacekeeping operations would be issued at the beginning of the following week. Because an inordinate amount of time during the past year had been spent on cash crisis management, the areas of systems improvement and managerial reform had inevitably suffered.

53. The fact that he had mentioned the conditions imposed by the United States should not be taken to imply that they were in any way legitimate. Nevertheless, assumptions had to be made for the purposes of forecasting and the reader or listener needed to be able to determine the basis on which the forecast had been made and the variability of the underlying assumptions. With regard to the gap between unpaid assessments and the Organization's meagre reserves, he explained that $1 billion was owed to troop and equipment contributors, $400 million to vendors and $400 million to Member States because of budget underspending in previous years. In addition, the Organization needed to replenish drawn-down reserves in the amount of $400 million; the balance would be retained to enable the United Nations to survive through the remainder of the assessment period.

The meeting rose at 11.40 a.m.

UNITED NATIONS

General Assembly

FIFTY-FIRST SESSION

Official Records

FIFTH COMMITTEE
6th meeting
held on
Friday, 11 October 1996
at 10 a.m.
New York

SUMMARY RECORD OF THE 6th MEETING

Chairman:	Mr. SENGWE	(Zimbabwe)
later:	Mr. ALOM (Vice-Chairman)	(Bangladesh)
later:	Mr. SENGWE (Chairman)	(Zimbabwe)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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AGENDA ITEM 130: FINANCING OF THE UNITED NATIONS OPERATION IN SOMALIA II

AGENDA ITEM 119: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued)

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22 November 1996

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96-81375 (E)

The meeting was called to order at 10.05 a.m.

AGENDA ITEM 126: FINANCING OF THE UNITED NATIONS MISSION FOR THE REFERENDUM IN WESTERN SAHARA (continued) (A/C.5/51/L.4)

AGENDA ITEM 133: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN GEORGIA (continued) (A/C.5/51/L.2)

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AGENDA ITEM 130: FINANCING OF THE UNITED NATIONS OPERATION IN SOMALIA II

Draft resolution A/C.5/51/L.4

1. Ms. PEÑA (Mexico), introducing the draft resolution on the financing of the United Nations Mission for the Referendum in Western Sahara (A/C.5/51/L.4), which had been the subject of informal consultations, said that it provided for an appropriation to the Special Account for the United Nations Mission for the Referendum in Western Sahara, which had already been authorized and assessed, for the operation of the Mission for the period from 1 February to 30 June 1996 (para. 7); for an appropriation for the operation of the Mission for the period from 1 July to 30 November 1996 (para. 8); and for a further appropriation for the maintenance of the Mission for the period from 1 December 1996 to 30 June 1997, subject to the decision of the Security Council to extend the mandate of the Mission beyond 30 November 1996 (para. 11).

2. Draft resolution A/C.5/51/L.4 was adopted.

Draft decision A/C.5/51/L.2

3. Mr. ABELIAN (Armenia) introduced the draft decision on the financing of the United Nations Observer Mission in Georgia (A/C.5/51/L.2), which had been the subject of informal consultations, and recommended it to the Committee for adoption.

4. Draft decision A/C.5/51/L.2 was adopted.

Draft resolution A/C.5/51/L.3

5. The CHAIRMAN introduced the draft resolution on the financing of the United Nations Observer Mission in Liberia (A/C.5/51/L.3), which had been the subject of informal consultations. If he heard no objection, he would take it that the Committee wished to adopt the draft resolution.

6. Draft resolution A/C.5/51/L.3 was adopted.

7. Mr. STEIN (Germany), speaking in explanation of his delegation's position with respect to the three draft resolutions that had just been adopted, said that, as his delegation had stated on a previous occasion, while it joined the consensus on peacekeeping budgets, it did so with reservations, since it was

concerned that the amount of every peacekeeping budget would not be fully covered by the contributions of Member States because one Member State had announced its intention to reduce its assessed contribution to those budgets to an amount which it deemed convenient. That unilateral action would further contribute to the already difficult cash-flow situation of the Organization and, in the long run, would jeopardize the implementation of all peacekeeping operations. His delegation took the view that the commitment authority of the Secretary-General for every peacekeeping budget would have to be adjusted to the predictable income level. While his country fully supported the peacekeeping operations in question, and for that reason had joined the consensus, it was not ready to support the non-payment by other Member States or to accept a change in its effective share in the current scale of assessments.

8. Mr. ELZIMAITY (Egypt) said that his delegation had noted with great concern that the countries which still owed money to the budget of the United Nations Operation in Somalia II (UNOSOM II) were making no further payments to that account and that the Secretariat had consequently ceased making reimbursements to the troop-contributing countries. It was also concerned that the debt of Member States to the budget of UNOSOM II was over $240 million and that the largest contributor to the Organization's budget had not contributed to it for many months. That imposed an additional burden on the troop-contributing States, particularly developing countries such as his own.

9. He asked the Secretariat to provide information on the number of claims submitted by States that had participated in UNOSOM II and on the total amount of outstanding claims for reimbursement relating to participation in that operation. He also requested the Secretariat to put forward ideas or proposals as to the means whereby it intended to repay the sums still owing to the troop-contributing countries. He was aware of the scale of the financial crisis facing the Organization, but the problem was primarily a political one and the passage of time itself would not bring a solution.

10. Egypt had been among the countries that had strongly opposed the proposal made the previous year that the Secretariat should be deprived of its capacity to borrow against peacekeeping budgets, when the regular budget was depleted. It was therefore particularly incumbent on the Secretariat to assist the developing countries by specifying how it envisaged making the reimbursements.

11. He hoped that the Secretariat would provide a response by the end of October to his delegation's request for information and put forward proposals to resolve the problem.

12. Mr. GOKHALE (India) associated his delegation with the statement made by the representative of Egypt. His own country had contributed a full brigade to UNOSOM II and was still awaiting reimbursement. The total amount outstanding to countries that had contributed troops and equipment was over $50 million and he appealed to those countries that had not yet paid their assessments, especially the major contributors, to do so without further delay. He also asked the Secretariat what efforts had been made, and at what level, to put pressure on those States which still owed contributions to honour their commitments so that payments could be made without further delay to countries that were owed money, especially developing countries.

13. Mr. ZULKIFLI (Malaysia) supported the statements made by the previous speakers. His own country had paid its contributions both to the regular budget and to the peacekeeping budgets and was owed a sum which it estimated at $15 million as a reimbursement for its contribution to UNOSOM II. He therefore hoped that the Secretariat would respond promptly to the requests that had been made of it.

14. Mr. ALOM (Bangladesh) agreed with the views expressed by the previous speakers. He hoped that the troop-contributing countries would be paid in full and without further delay.

15. Mr. HOSANG (Director, Peacekeeping Financing Division) said that he had taken note of the statements made by the representatives of Egypt, India, Malaysia and Bangladesh concerning outstanding reimbursements in respect of contributions to UNOSOM II and gave an assurance that answers to the questions raised would be provided before the end of October, as requested by Egypt.

AGENDA ITEM 119: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/50/11/Add.2)

16. Mr. CAMACHO-OMISTE (Bolivia), speaking also on behalf of Argentina, Brazil, Chile, Colombia, Costa Rica (representing the Central American countries), Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela, the members of the Rio Group, expressed support for the work of the Committee on Contributions and took note of the information submitted in its report (A/50/11/Add.2).

17. The Rio Group wished to reaffirm its position that the question of the scale of assessments should be dealt with quite separately from the current financial situation of the Organization, which was due to the failure of certain Member States to comply with their obligations under the Charter.

18. The principle of capacity to pay and that of equity continued to be fundamental to the scale methodology and the principles and structure of the current methodology for the calculation of contributions remained valid. The Rio Group considered that it would be unacceptable to assess contributions solely on the basis of the primary indicator, whether that were gross national product (GNP) or gross domestic product (GDP). Irrespective of the methodology chosen, debt-burden adjustments and low per capita income adjustments remained valid and should continue to be applied. To retain in the methodology factors which balanced the distribution of the expenses of the Organization was not a distortion but a matter of justice and equity. The foreign debt burden continued to be a matter of concern for the countries of the Rio Group, not only in terms of interest payments but also in terms of payments to amortize the outstanding capital sum, and they believed that, even if GDP were eventually used, there would still be a need for debt-burden adjustments. For similar reasons, low per capita income adjustments, which had from the outset been an intrinsic part of the scale methodology, should be maintained. Consideration should also be given to anomalies associated with the utilization of per capita income and to the avoidance of wide variations in assessments. The Rio Group considered that what was required was not a total change in the methodology, but rather specific adjustments.

19. Ms. WILLIAMS-STEWART (Samoa) said that the scale of assessments was an issue of great importance to many small developing countries, including her own. In its report (A/50/11/Add.2, para. 50), the Committee on Contributions recognized that the current floor assessment rate resulted in a serious departure from the principle of capacity to pay for a number of smaller Member States and her delegation noted its recommendation that, in future scales of assessments, all Member States whose share of adjusted national income was less than the current floor rate should be assessed at their actual share of adjusted income, subject to a minimum assessment rate of 0.001 per cent.

20. Her delegation fully supported that recommendation, which recognized that many small developing countries were being assessed at levels beyond their capacity to pay. Her country had nevertheless consistently discharged its obligations under the Charter by paying its contributions in full. The floor rate should be reduced in order to take account of the principle of capacity to pay. There was a considerable degree of consensus on the need for such a reduction, which, in her delegation's view, would enhance the principle of universal membership of the United Nations by enabling a number of small, independent countries which were currently deterred by cost considerations to join the Organization. It would also assist the Organization in its problems with arrears of contributions. Many of the countries which were in substantial arrears as a result of economic factors beyond their control, and which were in danger of losing their right to vote in the General Assembly under Article 19 of the Charter, were floor countries.

21. The ceiling was another element that distorted the current scale of assessments; her delegation would like to see it maintained at its current level.

22. The continuing financial crisis faced by the United Nations made the current session of the General Assembly an opportune moment to take action on the recommendations that had been made; it would be appropriate to begin with matters on which there was near unanimity within the United Nations membership, such as the reduction in the floor rate.

23. Mrs. RODRIGUEZ ABASCAL (Cuba) said that her delegation regretted that the Committee on Contributions had made few recommendations on the various aspects of the methodology for the scale of assessments that it had studied and noted with concern that, even though, according to rule 160 of the rules of procedure of the General Assembly, the Committee was the technical body responsible for advising the General Assembly concerning the apportionment of the expenses of the Organization, it intended to refer to other negotiating bodies mattes which were within its sole competence.

24. The Committee on Contributions should study he proposals that had been made concerning modifications to the current scale methodology before the Fifth Committee gave it precise instructions regarding the preparation of the scale for the period 1998-2000. Consideration should be given to holding a special session of the Commitment on Contributions to make recommendations which the Fifth Committee would study at a resumed session. That would give Member States a clear indication of the impact of each of the proposals on the future scale.

25. Her delegation suggested that the Committee on Contributions should submit proposals to the Fifth Committee, inter alia, on a specific statistical base period that would reflect capacity to pay as faithfully as possible and would be conducive to the stability of the scale; the phasing out of the scheme of limits in accordance with General Assembly resolution 48/223 B; an analysis of the impact of the enforcement measures on the capacity to pay of those countries to which such measures had been applied; and specific proposals on the scale methodology taking into account the factors specified in paragraph 3 of General Assembly resolution 43/223 B.

26. Her delegation supported the view expressed by some members of the Committee on Contributions that any alterations to the scale methodology should be introduced gradually so as to avoid abrupt changes in the rates of assessments.

27. The principle of capacity to pay had been a main factor in the determination of the scale of contributions for over 50 years but there was still no agreement on the methodology to be used for determining it. That had led over the years to the introduction of various elements to correct anomalies or to accommodate specific political positions which negated the strict application of the principle. Those elements, including debt-burden adjustments and low per capita income adjustments, had introduced a measure a justice in the scale methodology by making allowances for the economic situation of developing countries; they were thus consistent with the objectives and purposes of the United Nations and should therefore continue to be an integral part of the methodology. In the view of her delegation, however, they were not sufficient in themselves to take into account a number of factors which had a negative impact on the capacity to pay of the majority of developing countries.

28. One of the elements which introduced the greatest distortion in the principle of capacity to pay was the existence of a ceiling which not only reduced the actual assessment of the major contributor in terms of its capacity to pay but which obliged many developing countries to bear an additional financial burden. That situation, while it would always be unjust, might be accepted if the main contributor paid its assessments in full and on time and negotiated in good faith instead of trying to impose its views on others through financial blackmail. The major contributor had, however, proposed a reduction of the ceiling to 20 per cent, on the grounds that that would be conducive towards the payment of its contributions. Her delegation could not support any proposal which would involve a transfer of the financial burden from the developed to the developing countries.

29. Her delegation supported the recommendation of the Committee on Contributions that the floor assessment rate should be reduced to 0.001 per cent. That took account of the just demands of many of the least developed countries on which assessment above their capacity to pay had been imposed for many years. Her delegation noted the recommendation of the Committee on Contributions that scales should be based in future on estimates of GNP and looked forward to the results of the study which was to establish a simplified standard procedure for converting GDP/GNP estimates from the 1993 system of national accounts (SNA) to the 1968 SNA, thus addressing the issue raised in paragraph 29 of the report.

30. Her delegation felt that a short base period would make it possible to take into account recent changes in the economies of countries, thus taking more effectively into account their actual capacity to pay. With respect to conversion rates, her delegation considered that, since the Committee on Contributions had not yet made specific recommendations on exchange rates, the provisions of resolution 46/221 B should continue to apply. Her delegation wished to reaffirm the importance of the process of mitigation as a means of taking account of the specific situation of a country at a particular moment.

31. Lastly, her delegation awaited with interest the report which the Committee on Contributions had been requested to provide in paragraph 2 of resolution 50/207. It felt that countries that were likely to become subject to the application of Article 19 of the Charter should be able to explain their situation to the Committee on Contributions before losing their right to vote in the General Assembly.

32. Mr. POERNOMO (Indonesia) said that his delegation still believed that the Organization's current methodology for determining the scale of assessments, which was based on its Member States' capacity to pay, should be retained and should continue to be used in the future. He agreed with the observation in paragraph 26 of the report of the Committee on Contributions (A/50/11/Add.2) that national income appeared to be the fairest guide for measuring capacity to pay, subject to adjustments for factors identified by the General Assembly. However, with respect to the recommended use of estimates of gross national product (GNP) as a first approximation of the capacity to pay (para. 28), his delegation felt strongly that those estimates should be supplemented by other economic and social adjustments in the interests of fairness to developing countries. With respect to the issue of the base period, any further reduction of the current base period should be phased in gradually to avoid excessive fluctuations in the next scale of assessments.

33. Debt-burden adjustment was a vital element of the methodology which was more indispensable than ever for Indonesia and other developing countries whose development efforts were hindered by the ongoing debt crisis. The World Bank World Debt Tables were an acceptable source of information for use in measuring debt-adjusted income. Moreover, market exchange rates should be used in calculating the scale of assessments, except where their use caused excessive fluctuations or distortions in the income of some Member States. Lastly, it was important to observe the guidelines and principles laid down in General Assembly resolutions 1874 (S-IV) and 3101 (XXVIII) with respect to the specific scale of assessments for peacekeeping operations.

34. Mr. OWADE (Kenya) said that his delegation fully endorsed the statement made at the Committee's 3rd meeting by the representative of Costa Rica on behalf of the Group of 77 and China. Like many other delegations, it believed that the Organization's financial crisis was due not to the methodology for determining the scale of assessments but to the failure of Member States, and particularly the major contributor, to pay their contributions in full, on time and without conditions. The Committee on Contributions was the only body which was competent to consider the technical issues related to the scale methodology and to submit proposals thereon to the General Assembly.

35. He agreed that capacity to pay should remain the fundamental criterion for the apportionment of the expenses of the United Nations. That principle had been reaffirmed by both the General Assembly and the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay. Moreover, the adjustment of national income by factors such as GNP, exchange rates, the debt burden and low per capita income did not represent a distortion, but an attempt to achieve greater balance and fairness. The issue of the base period should be discussed further by the Committee on Contributions with a view to formulating a proposal that would ensure stability and predictability while accurately reflecting the relative capacities of Member States. The current base period of 7.5 years had worked well and should not be altered radically; perhaps a slightly shorter period of 6.5 years would be a good compromise.

36. Since the imposition of a ceiling on contribution levels departed from the principle of capacity to pay, the ceiling should not be lowered any further. The current floor assessment rate of 0.01 per cent, which also departed from that principle, should be reviewed in the light of the difficulties experienced by the least developed and other developing countries.

37. Mr. IRAGORRI (Colombia) said that the financial crisis of the United Nations was clearly a payment crisis caused by the failure of one Member State to discharge its binding financial obligations and its attempt to impose conditions on those payments. The financial crisis was completely unrelated to the scale of assessments and any attempt to link the two issues in the current negotiations would run counter to the spirit of consensus which should pervade the Committee's deliberations.

38. As in the past, the scale of assessments must be adjusted to reflect current circumstances. In that connection, some Member States wanted to change not only the methodology for determining the scale of assessments for the regular budget, but also the agreed principles for the current scale for peacekeeping operations. His delegation would not be willing to consider those changes until such time as all of the Organization's 185 Member States - whether developed or developing, nuclear or non-nuclear, members or non-members of the Security Council - had the same real impact in terms of participation and decision-making in the United Nations, and no Member State had the power to veto the political will of the majority.

39. He fully supported the statements made by Costa Rica on behalf of the Group of 77 and China at the Committee's 3rd meeting, and by Bolivia on behalf of the Rio Group at the current meeting. The principle of capacity to pay should be implemented by ensuring that the amounts payable by the smallest and largest contributors were proportionally equivalent. Although he agreed that assessments should be calculated on the basis of GNP, he did not share the view of some delegations that GNP automatically included debt-burden adjustment. In fact, a country's GNP reflected only its debt-service payments, not principal repayments. Meanwhile, the debt crisis had become so severe that the total liabilities of the developing countries had reached $367 billion in 1995 and, in March 1996, the World Bank had classified 50 States Members of the United Nations as severely indebted. It would therefore be unacceptable for the Fifth Committee to adopt a scale methodology that took the debt burden only partially into account.

40. Although his delegation had joined with other Member States in adopting a ceiling of 25 per cent, it acknowledged that that element did not reflect the principle of capacity to pay and disagreed with the argument that lowering the ceiling would result in a better balance and greater equity among Member States. His delegation fully supported the idea of a more egalitarian United Nations, but the degree of political influence of a given Member State was not proportional to its financial contribution. The current ceiling of 25 per cent should therefore remain unchanged. If, however, there was a consensus to lower it, his delegation would join the consensus only if it did not affect the assessed contributions of developing countries.

41. Mr. WANG Xuexian (China) said that any scale methodology which deviated from the basic principle of capacity to pay was unfair and would not be accepted by a majority of Member States. The current criterion for determining the scale of assessments, as formulated by the Committee on Contributions and unanimously adopted by the General Assembly, should be preserved. Isolated deviations from the principle of capacity to pay should be addressed on a case-by-case basis, and attempts to shift the financial burdens of developed countries onto developing countries must be stopped. Nonetheless, one major contributor, in disregard of its obligations under the Charter, had been chronically in arrears with its assessed contributions and had landed the Organization in a serious financial crisis.

42. The length of the base period should not only reflect changes in economic development, but should also help to maintain the stability of the scale of assessments. His delegation would prefer a six-year base period, and believed that, once it was set, it should remain unchanged in the interests of stability. It agreed with the Committee on Contributions that income data should be converted at market exchange rates, and agreed to keep price-adjusted rates of exchange (PAREs) under review. Purchasing power parities tended to overestimate the incomes of developing countries.

43. Debt-burden adjustment was an indispensable element of the current scale methodology, in view of the serious effects of debt service on developing countries. The low per capita income adjustment was useful for accurately reflecting a country's actual capacity to pay, and should be fixed for a long period of time to avoid any influence from artificial and political factors. His delegation supported the recommendation that the floor assessment rate should be reduced to 0.001 per cent, since that would alleviate the financial burdens of the least developed countries and would reduce distortions of the principle of capacity to pay. Both the proposal to lower the current ceiling, which already failed to reflect capacity to pay, and the proposal to establish two different ceilings were aimed at shifting the financial burdens of high-income countries to lower-income countries, and must be rejected.

44. Ms. KUNADI (India) said that her delegation associated itself with the position stated at the Committee's 3rd meeting by the representative of Costa Rica on behalf of the Group of 77 and China. It did not want to preempt or undermine the work of the High-Level Open-Ended Working Group on the Financial Situation of the United Nations, but it disagreed seriously with the proposal made earlier in the debate by the European Union that assessment methodology should be dealt with by the Fifth Committee, leaving the remaining elements of a

comprehensive package of measures to the Working Group on the Financial Situation. Her delegation believed that the financial crisis was based on a failure to pay assessed contributions and thus reflected a lack of political will on the part of some Member States. It was not the result of any inherent defect in the scale of assessments.

45. The purpose of the Committee's discussions during the current session was to decide on concrete and realistic parameters within which the Committee on Contributions could work out a new scale of assessments for the period 1998-2000.

46. There was no precise definition of what the principle of capacity to pay meant, but she reminded the Committee that in 1946 the General Assembly had observed that it was difficult to measure such capacity merely by statistical means and impossible to arrive at any definite formula. Statistics about a country's national income did not in themselves represent an accurate portrayal of its capacity to pay, nor would simplistic formulae supply the answers to the problem. The observations made by the General Assembly in 1946 were worthy of note because of late the ostensible focus on transparency and simplicity, and the attempt to devise neat statistical formulae, seemed to have become more important ends in themselves than an accurate portrayal of the principle of capacity to pay.

47. With specific reference to the report of the Committee on Contributions (A/50/11/Add.2), her delegation had taken note of the recommendation on the relative advantages of shifting over from gross domestic product to gross national product as the basis for calculating each country's share of United Nations costs. It had also noted the argument that there was merit in using a shorter base period for calculating the assessed contributions than the current one. The report reflected some differences of opinion on whether any allowance or adjustment needed to be provided for debt burden in a future scale. Her delegation believed that relief from debt continued to be a valid and necessary factor in the scale methodology and was prepared to explore a possible revision in the mode of calculating the relief, provided that the continuing validity of providing such relief was not brought into question.

48. Her delegation welcomed the general consensus within the Committee on Contributions regarding the importance of maintaining the relief which was currently given to developing countries with low per capita incomes. Far from being a distortion of the scales, such relief was in fact a moderating element in the existing formula for determining how much each country should pay; it enabled calculations to reflect more precisely the principle of capacity to pay. Her delegation was opposed to linking assessment rates to national income or per capita income; that would place a greater burden on precisely those countries which it was designed to assist - those with the lowest per capita incomes relative to the world's average per capita income. The effect would simply be to shift the burden from high income to low income countries.

49. Her delegation was sensitive to concerns that the current floor rates payable by many small countries strained their capacity to pay and believed that their burden should be alleviated. Any consensus solution regarding changes to the ceiling should ensure that no burden was shifted from the developed to the

developing countries. She expected early consensus to be reached on the manner of phasing out the scheme of limits, on which agreement had already been reached. Finally, her delegation supported the recommendation of the Committee on Contributions (A/50/11/Add.2, para. 55) that the scale should be carried to three decimal places to make it more precise.

50. Mr. Alom (Bangladesh), Vice-Chairman, took the Chair.

51. Mr. FERNANDEZ (Philippines) said that measuring capacity to pay had never been an easy exercise. It could not be based on any simple formula or methodology since a host of important political, economic and humanitarian considerations had to be factored in. Nevertheless, it was incumbent on the Organization to try to develop a formula which the membership as a whole could accept as being fair and effective. His delegation agreed that the scale of assessments was in itself less important than the political will of Member States to pay their assessed contributions, but believed that a system of assessment that was seen to be fair and efficient would be a powerful incentive for Member States to honour their obligations and contribute in full and on time.

52. His delegation took note of the observation that the base period should be a multiple of the scale period so that data from some years would not be used more frequently than data from others (A/50/11/Add.2, para. 31). The base period should, however, be long enough to provide the scale with stability and predictability, thus enabling Member States to secure budgetary appropriations from their legislatures for the timely payment of assessed contributions. The length of the base period should also be considered in conjunction with the General Assembly's decision to phase out the scheme of limits in the next scale.

53. External debt continued to be a burden to many developing countries and affected their capacity to pay. Debt-burden adjustment should therefore continue to be maintained in the scale methodology. His delegation also supported the continued provision of relief to developing countries with low per capita incomes, which had been an integral part of the scale methodology from its inception.

54. The Committee on Contributions had noted that, in the case of a number of small States, the current floor rate of 0.01 per cent had resulted in an assessment that was beyond their capacity to pay (para. 50). His Government supported the majority view that the floor should be reduced, taking into consideration the difficulties for the least developed and other developing countries.

55. Some delegations had proposed lowering the current ceiling on the premise that the Organization should rely less on a single Member State for the financing of its activities. Logic and consistency dictated that similar adjustments should be made in the shares of countries involved in the capitalization of the international financial institutions, including the World Bank and regional banks such as the Asian Development Bank.

56. Finally, his delegation had taken note of the recommendation that future scales should be based on gross national product rather than gross domestic product. That aspect of the scale methodology required further discussion.

57. Mr. MOKTEFI (Algeria) said that his delegation associated itself with the statement made by the representative of Costa Rica at the Committee's 3rd meeting setting out the position of the Group of 77 and China. The rigidity of the current procedure for determining the scale of assessments necessitated a new methodology that would better reflect the socio-economic realities affecting Member States. Capacity to pay should be the fundamental criterion for establishing a scale of assessment that was acceptable to all.

58. His delegation was concerned that no clear or unanimous recommendations had been made by the Committee on Contributions. He wished to stress his Government's view that national income should remain the central criterion and the first measure of capacity to pay. Realistic exchange rates should also be factored into any calculations. Debt-burden adjustment should be given greater weight in order to reflect more accurately its impact on the capacity to pay of countries such as Algeria which devoted the bulk of their export earnings to debt servicing. On the question of income measures, his delegation fully agreed that future scales should be based on estimates of gross national product.

59. The extension of the statistical base period would undermine the scale methodology and give a false picture of the real situation when Member States had to make their contributions. Moreover, the use of a longer base period had failed to contribute any element of permanency or continuity. On the contrary, it had allowed significant disparities to emerge, which the various adjustment elements had subsequently been unable to correct. His delegation therefore favoured the use of a shorter base period which would provide a more immediate and up-to-date picture of the economic situation and encourage a more realistic and objective understanding of Member States' capacity to pay. His Government accordingly endorsed a three-year base period.

60. Mr. PHANIT (Thailand) said that his delegation associated itself with the views expressed by the representative of Costa Rica on behalf of the Group of 77 and China and regretted that the High-Level Open-Ended Working Group on the Financial Situation of the United Nations had been unable to reach a consensus on any practical short-term solutions to the current financial problems faced by the Organization. His delegation wished to reiterate its view that the scale of assessments was not the cause of the current financial crisis; it was incumbent on all Member States to honour their obligations under the Charter and the relevant Financial Regulations and Rules by paying their assessed contributions without attaching unilateral conditions.

61. The current scales were the result of negotiations based on consensus. It was therefore difficult to justify that future scales should be adopted on the basis of elements that merely sought to simplify them. Any improvements to the scales should be gradual rather than drastic in nature. The elements set out and agreed by consensus in General Assembly resolution 48/223 B were appropriate for measuring a country's capacity to pay and could constitute a basis for the elaboration of the scales for the period 1998-2000. His Government reaffirmed that capacity to pay remained the fundamental criterion for the determination of

any scales of assessment. National per capita income and external debt were still valid criteria and should continue to be included as components of the scale methodology.

62. A longer base period would reduce the volatility of the scales and help those Member States which faced constant fluctuations in their economies; it would also help to reflect a Member State's capacity to pay more accurately. In that connection, his Government was willing to consider a base period of six years.

63. The phasing out of the scheme of limits should be gradual in order to avoid an excessive increase in the assessments of countries currently affected by it. The impact on developing countries benefiting from the phasing out of the scheme of limits should be limited to 15 per cent of the total effect of the phasing out. It was also necessary to include low per capita income adjustment based on the reduction of assessable national income for those countries whose national per capita income was below the agreed threshold. His delegation supported the current gradient of 85 per cent but was willing to give serious consideration to the proposal of a 75 per cent gradient.

64. His Government supported the recommendation of the Committee on Contributions that the floor rate should be lowered. Such a step would help to rectify the so-called distortions in the capacity to pay of smaller Member States. His delegation was, however, unable to support the abolition of the floor; that would run counter to the obligations of Member States under Article 17 of the Charter. His Government favoured retaining the current ceiling rates.

65. Mr. GELBER (United States of America) said that, for many delegations, the solution to the Organization's problems was simple: the major contributor should immediately pay what it owed without asking for any changes in the scale, and the financial problem would then go away and no further action would be necessary. Such a view was, however, unrealistic. Part of the problem had been the growth of programmes, committees and activities without due attention being paid to their overlapping and outdated nature. The Efficiency Board had gone some way towards addressing that problem, but there was more work to be done.

66. It was true that Member States should pay what they owed, but other changes in financial arrangements needed to be made if the United Nations was to be restored to financial health. The method of assessments, like the method of budget preparation and review, could no longer be operated as if nothing had changed in 20 years.

67. The United States was committed to meeting its obligations and it was paying off what it owed. In the fiscal years 1995 and 1996, the United States had paid out more to United Nations agencies and programmes than any other Member State. The same was true for peacekeeping operations. Payments from the United States were good news for the Organization, but they should not be allowed to detract from the need to address the unique role of the United States in United Nations cost-sharing.

68. His Government had proposed that the General Assembly should lower the regular budget ceiling rate from 25 to 20 per cent. The ceiling rate had been lowered 11 times in the first 30 years of the Organization's existence, but not at all in the past 20, notwithstanding shifts in the global economic balance. It was time to adjust the financial demand placed on the United States by the current ceiling, and for other Member States to pay increased shares of the costs.

69. That was an issue for the General Assembly, not the Committee on Contributions, since it was a political decision. The primary concern was to re-establish a productive financial relationship between the United Nations and its contributing Members, in particular to reduce the current heavy dependence on the United States. All 185 Members had a major stake in the Organization and there should be a wider sharing of responsibility.

70. His delegation recognized that it would not be easy to reach agreement on a 20 per cent ceiling, but in recent years Portugal and Greece had both voluntarily agreed to increase their peacekeeping rates and numerous countries had joined the consensus two years previously on a regular scale that increased their rates. It should not be impossible to consider having some rates go up and others go down as the Organization evolved. The issue was one of the highest priorities for his delegation: the Fifth Committee must instruct the Committee on Contributions to make recommendations on a scale for the period 1998-2000 on the assumption of a 20 per cent ceiling.

71. Other changes to the scale methodology were also necessary and should be made at the same time so as to improve the prospects for agreement. In particular, his delegation supported the changes proposed by the European Union, as modified by its own ceiling concept. It also found the Canadian proposal regarding the methodology interesting.

72. All delegations needed to work with diligence and a sense of realism to address fundamental financing issues so that the Organization would emerge stronger and more capable in the twenty-first century.

73. Mr. SENGWE (Zimbabwe) resumed the Chair.

74. Mr. HAHM (Republic of Korea) said that clear guidelines must be established for the Committee on Contributions regarding the scale of assessments for the period 1998-2000. His delegation had difficulty in accepting the argument that the financial crisis stemmed from unfairness and inequity in the current scale: it shared the majority view that it was due to the failure of some States to pay the contributions stipulated under the scale. Even the formulation of a perfect methodology might therefore not resolve the Organization's financial problems.

75. The primary objectives of ensuring fairness and equity while creating a methodology which could withstand the test of time must be borne firmly in mind. While capacity to pay was aimed at ensuring fairness, both the scheme of limits and a longer base period had been designed to promote stability in the methodology, a principle which should carry the same weight.

76. With regard to the remaining 50 per cent phase-out of the scheme of limits, the approach should be a gradual step-by-step one, with the phase-out to be completed by the year 2000. The phase-out would, however, result in a disproportionate assessment for some Member States particularly those experiencing rapid economic growth. That raised the issue of how stability could be ensured for those countries. In his delegation's view, the best answer was a longer base period.

77. Careful consideration needed to be given to the economic status of some developing countries: in that connection the current mechanisms for debt-burden adjustment and low per capita income adjustment should be retained in the methodology. The floor should also be lowered to 0.001 per cent. The political rationale for the ceiling remained compelling: it should not be changed.

78. The recommendation for the use of gross national product as the basis for calculating national income should be carefully evaluated in terms of data availability, comparability and simplicity.

79. His delegation was deeply concerned at the lack of progress in resolving the financial disarray of the Organization, and emphasized that the solution lay in the political will of Member States to discharge their financial obligations in full, on time and without conditions. His Government had consistently paid its assessed contributions to both the regular and peacekeeping budgets, and would continue to do so.

80. Ms. FIGUERA (Venezuela) said that every element of the methodology must be transparent and reliable and serve to measure and reflect capacity to pay. In that regard, she took note of the recommendations of the Committee on Contributions concerning the use of estimates of gross national product, the floor, and carrying the scale of assessments to three decimal places.

81. Her delegation supported a base period that would most closely correspond to the scale period. It should reflect the economic conditions of each country, whether it was experiencing growth or recession. The concepts of stability and extreme fluctuations were secondary to realistic measurement of national economies. While lengthy base periods and a strict scheme of limits had helped to resolve certain extraordinary situations, they had also delayed realistic reflection by the scale of capacity to pay. In that regard, she welcomed the complete phase-out of the scheme of limits in the next scale. Her delegation favoured accurate measurement of capacity to pay and mitigating factors.

82. Debt-burden adjustment remained extremely important. External indebtedness involved transfers of resources for debt-servicing and amortization and inhibited investment. The Assembly should give further consideration to the proposal that debt adjustment should be based on actual principal repayments only, as well as to the extent to which that was compatible with the broader issue of external indebtedness.

83. Low per capita income adjustment was a further important element in determining real capacity to pay. The primary rationale for that adjustment was inflation, and the principal limitations were the links to the United States dollar and to fluctuations in exchange rates and purchasing power. Her

delegation was concerned at the current perception that the existing threshold and relief gradient were excessive and that proposals were being made that ignored the original rationale. The matter required full study.

84. Lastly, the scale of assessments was not the cause of the Organization's financial difficulties and solutions to the Organization's other problems should not be sought therein.

85. Mr. MIRMOHAMMAD (Islamic Republic of Iran) said that capacity to pay remained the fundamental criterion for determining the scale of assessments. Capacity to pay could not, however, be determined only by national income and per capita income, since disparities between developed and developing countries meant that they could not be placed on an equal footing.

86. He concurred in the view of the Committee on Contributions that stability should not imply rigidity in the scale methodology, since future changes might call for further adjustments. His delegation sought the earliest possible implementation of measures to bring the scale into line with real capacity to pay, but could not agree to the so-called "clean slate" approach. Among elements to be taken into account were natural and man-made disasters, refugees, debt-burden adjustment and low per capita income. The scheme of limits should be completely phased out in the next scale.

87. Given the structural adjustments in the national economies of many States, a short base period of three years would better reflect real capacity to pay, as it would provide more recent data; longer base periods were distorted by outdated figures. Lastly, his delegation could not support a reduction in the ceiling, since it would represent a clear departure from capacity to pay.

88. Mr. DEINEKO (Russian Federation) said that assessment rates which were above capacity to pay accounted for a considerable part of the arrears owed to the Organization. A sound financial basis could not be secured without a just apportionment of expenses.

89. His delegation supported the recommendation of the Committee on Contributions that the Comoros should be permitted to vote throughout the main part of the fifty-first session. It also agreed that stability in the methodology should not imply rigidity.

90. In view of the enduring relevance of capacity to pay, he supported the recommendation that future scales should be based on estimates of gross national product rather than net national income. Scales based on data collected years before did not conform to capacity to pay. Accordingly, his delegation supported a six-year statistical base period for the next scale. Market exchange rates were more objective for conversion purposes, and he welcomed the intention to keep under review the criteria for replacing market exchange rates where their use caused excessive distortions.

91. The use of gross national product made adjustment for external debt irrelevant for scale purposes. Nevertheless, should it be retained, the adjustment amount should be based on actual principal repayments rather than on a proportion of debt stocks.

92. Per capita income should remain a decisive factor in granting reductions to developing countries, although distortion resulted from determining the adjustment under the current methodology. The matter should be kept under review.

93. His delegation fully supported the recommendations that the floor should be reduced to 0.001 per cent, and that the scale should be carried to three decimal places. The scheme of limits should be phased out as soon as possible.

94. However useful the recommendations of the Committee on Contributions, they were only adjustment measures and not a comprehensive proposal for reform of the apportionment of the Organization's expenses. The time had come to adopt a procedure for the apportionment of all expenses, including peacekeeping, which would enjoy the confidence of all Member States and thereby ensure the stable financing of the Organization. The proposal made by the European Union in the High-Level Open-Ended Working Group on the Financial Situation of the United Nations would provide a good basis for such a comprehensive revision.

The meeting rose at 12.50 p.m.